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Zarrab in Jail Said Lying Required to Get Leniency

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Corrected

- Turkish businessman is star witness in banker's criminal trial
- Jailhouse recording raises questions about truthfulness

Reza Zarrab in Istanbul, on Dec. 17, 2013.

Source: Anadolu Agency via Getty Images

Reza Zarrab, the Turkish currency trader who admitted helping Iran move billions of dollars in violation of U.S. financial sanctions, said in a recorded jailhouse conversation that he needed to lie about his own crimes to get a reduced sentence, according to a summary of his words.

Zarrab, the government's star witness in the trial of Turkish banker Mehmet Hakan Atilla, testified for a fourth day Monday in Manhattan federal court. Atilla's lawyers, who may begin cross-examining Zarrab as soon as Tuesday, complained to U.S. District Judge Richard Berman in a letter Monday that prosecutors dragged their feet in turning over recordings of the Sept. 15, 2016, conversation and four others.

"Zarrab is proclaiming his willingness to fabricate testimony out of whole cloth in order to obtain a reduced sentence," Atilla's lawyers argued in the letter, which was posted, then removed without explanation, from the publicly available court docket.

They claim the production of the recordings, along with what appear to be government-produced summaries, on Dec. 2 at 10:42 p.m. "significantly impairs the ability of the defense" to use them at trial. The recorded conversations are in Turkish and Azeri, Atilla's lawyers said in the letter.

Zarrab, who was initially the key defendant in the case, spent a year in U.S. jails awaiting trial before agreeing last month to plead guilty and cooperate with the government against Atilla. Though nine defendants have been charged, only Atilla, who was a deputy general manager at Turkiye Halk Bankasi AS, is being tried, and only Zarrab and Atilla are in U.S. custody.

'In America'

In the letter, Atilla's lawyers told Berman that Zarrab said on the jailhouse recording, "In America, in order to make it out of prison you need to admit to something you haven't committed."

Zarrab has testified to helping Iran with international transactions by disguising them as payments for phony gold and food sales that were structured to make it appear that they complied with U.S. sanction regulations. On Thursday, Zarrab said he believed two Turkish banks were included in the scheme with the approval of Recep Tayyip Erdogan, who at the time was Turkey's prime minister and is now its president.

He also testified that he paid bribes to Zafer Caglayan, Turkey's former minister of the economy and Suleyman Aslan, a former Halkbank general manager.

Zarrab told jurors Monday that he was arrested and taken into custody by Turkish financial authorities on Dec. 17, 2013. Under questioning by Assistant U.S. Attorney Sidhardha Kamaraju, Zarrab said he made payments in connection with his release from prison.

"Were they bribes?" Kamaraju asked.

"In part," Zarrab said, without explaining further.

Iran Sanctions Trial Returns to Defendant After Flashy Detour

Zarrab has pleaded guilty to seven felonies, including conspiracy, sanctions violations, bank fraud and money laundering. He admitted bribing a corrections officers in the U.S. to sneak him alcohol and let him make cell phone calls.

Zarrab testified Monday that after he was released from prison in Turkey he worked to reestablish his operation with Halkbank moving Iranian money. He said the new general manager, Ali Fuat Taskesenlioglu, allowed him to do so after a few meetings in mid-2014 where they agreed to revised documentation procedures.

He said he didn't pay any more bribes to Halkbank executives after his arrest in Turkey, and that he continued operating the laundering scheme until his arrest in Miami in 2016.

Under questioning from Kamaraju, he said Atilla was the only executive in place at Halkbank for the duration of his scheme.

He also provided added information about Atilla's role in the scheme, such as in shifting from phony gold sales to Iran to phony food sales, in response to changes in U.S. sanctions regulations. Atilla said that the conspirators were drawing attention by making mistakes in the documents they used to cover the scheme, he said. Atilla warned against creating documents showing shipments of food that exceeded the capacity of the ships that were supposed to deliver them.

Zarrab testified that his operation was competing, in part, with Cargill Inc. and Bunge Ltd., which were shipping

food to Iran, as permitted by the sanctions. The companies were using Iranian funds held in Halkbank to fund their food sales, he said. But unlike Cargill and Bunge, Zarrab said he never actually shipped food to Iran.

The case is U.S. v Zarrab, 15-cr-867, U.S. District Court, Southern District of New York (Manhattan).

(A previous version of this article was corrected for the spelling of Ali Fuat Taskesenlioglu, former CEO of Halkbank.)

(Corrects headline to remove quotation marks.)

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